

**COUNTRY HEIGHTS HOLDINGS BERHAD (119416-K)**

**PART B – Explanatory Notes Pursuant to Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad**

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**16. Review of To Date Performance (against previous year)**

The Group recorded higher revenue for the 1<sup>st</sup> quarter ended 31 March 2008 of RM91.3 million as compared to RM52.7 million in the previous corresponding quarter ended 31 March 2007. Higher revenue recognised for the current quarter was mainly contributed from property development segment. The properties sales in Country Heights Damansara project have contributed favourably to the Group's profitability.

The Group reported a profit before tax for the period ended 31 March 2008 of RM23.6 million against loss before tax of RM3 million in the period ended 31 March 2007. The improvement in performance was mainly due to better performance and higher sales from property development segment.

**17. Material Changes in the Quarterly Results as Compared with the Immediate Preceding Quarter**

The Group's revenue for the 1<sup>st</sup> quarter ended 31 March 2008 increased by approximately RM23.1 million to RM91.3 million as compared to the last quarter ended 31 December 2007 of RM68.2 million. The increase was mainly due to higher revenue and sales reported from property development segment.

The Group recorded a profit before tax of RM23.6 million for the 1<sup>st</sup> quarter ended 31 March 2008 against profit of RM76.2 million for the last quarter ended 31 December 2007. This was mainly due to the recognition of gain on disposal of Mines Shopping Fair in the last quarter ended 31 December 2007.

**18. Commentary on Prospects**

The Group will remain focused on its core activities which are Property Development and Property Investment. The Group has recently acquired 23 parcels of approximately 2,073 acres of freehold land located at Mukim of Rasa and Mukim Batang Kali, the acquisition is expected to increase the Group's earnings with the development of a new project, namely Mines Golf City.

Apart from Property Development and Property Investment, the Group has also diversified into the field of Leisure and Hospitality which is exploiting the different dimensions of man as he relates to gracious living, nature, health, recreation, entertainment, sports, business and technology. The Group has also positioned itself as a lifestyle creator.

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**18. Commentary on Prospects (Contd.)**

Under the restructuring exercise which re-categorizing the Group's business into three divisions, namely Property Development, Property Investment and Hospitality, Leisure & Health, the Group would continue to aggressively improve efficiency and increase shareholders' value by continuously seeking future potential opportunities.

**19. Variance on Profit Forecast / Profit Guarantee**

There were no profit forecast / profit guarantee issued by the Group.

**20. Income Tax Expenses**

|                  | 3 months ended |           |
|------------------|----------------|-----------|
|                  | 31-Mar-08      | 31-Mar-07 |
|                  | RM'000         | RM'000    |
| Income tax:      |                |           |
| - current period | 6,313          | 159       |
| - deferred tax   | 1,611          | (94)      |
|                  | <u>7,924</u>   | <u>65</u> |

**21. Sale of Unquoted Investments/ Properties**

There was no sale of unquoted investments/ properties during the quarter under review.

**22. Purchase and Sale of Quoted Securities**

(a) Details of purchase and disposal of marketable securities are as follows:

|  | 3 months ended |           |
|--|----------------|-----------|
|  | 31-Mar-08      | 31-Mar-07 |
|  | RM ' 000       | RM ' 000  |
| i) Purchase considerations for new marketable securities | 1,055          | 4,337     |
| ii) Sales proceed for existing marketable securities     | 1,550          | 6,827     |

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**22. Purchase and Sale of Quoted Securities (Contd.)**

(b) Investments in quoted securities as at 31 March 2008 are as follows:

|   | <b>As at<br/>31-Mar-08<br/>RM'000</b> |
|---|---------------------------------------|
| Total investments at cost   | 2,209                                 |
| Total investments at carrying value/ book value (after provision for diminution in value) | 1,887                                 |
| Total investment at market value at end of reporting period                               | 1,787                                 |

**23. Corporate Proposals**

**(a) Status of Corporate Proposals**

The status of corporate proposals announced by the Group but not completed as at 23 May 2008 are as follows:-

- (i) On 16 August 2007, the Group announced that Mines Shopping Fair Sdn Bhd, a wholly-owned subsidiary of East Vision Leisure Group Sdn Bhd, which in turn is a wholly-owned subsidiary of Country Heights Holdings Berhad (“CHHB”) has entered into a sale and purchase agreement (“SPA”) with Mutual Streams Sdn Bhd to dispose of all that piece of leasehold land held under H.S.(D) 59894 P.T No. 16722 in the Mukim and District of Petaling, Selangor Darul Ehsan comprising an area of approximately 4.125 hectares (“Land”) on which has been erected the several buildings, amenities and structures thereon, collectively known as “Mines Shopping Fair” (“Buildings”) (which Land and Buildings shall be hereinafter collectively referred to as the “Property”) for a cash consideration of RM432,000,000. In addition, Mines Shopping Fair Sdn Bhd has agreed to grant Mutual Streams Sdn Bhd a call option and Mutual Streams Sdn Bhd has agreed to grant Mines Shopping Fair Sdn Bhd a put option in respect of a lease over Venice Walk Land and Building (as defined in the SPA) upon the terms set out in the SPA. The exercise price payable under the put and call option in respect of the lease over Venice Walk Land and Building is RM3,000,000.

The transfer (from Mines Shopping Fair Sdn Bhd to Mutual Streams Sdn Bhd) in respect of the disposal of the Mines Shopping Fair is pending registration at the relevant land office.

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(ii) On 5 May 2008, the Group announced that its wholly-owned subsidiary, PRS Homes Sdn Bhd (“PRS”) had accepted an interest free advance amounting to RM44.8 million granted by Bee Garden Holdings Sdn Bhd (“Bee Garden”), a company connected to Tan Sri Lee Kim Yew, a major shareholder of CHHB. The advance was utilized to settle the balance purchase consideration of the acquisition by PRS of approximately 2,073 acres freehold land located at Mukim of Rasa and Mukim of Batang Kali (“the Land”) intended for a development to be known as Mines Golf City.

Bee Garden and PRS has signed a Letter of Intent to set out the commitment of both parties to conduct good faith negotiations towards the repayment of the amount advanced or to enter into a joint venture arrangement for the development of Phase 1 of the Land which includes a golf course and bungalow lots project covering an estimated land area of 600 acres.

Both parties will enter into a joint venture agreement to finalise the terms and conditions of the proposed arrangement.

**(b) Status of Utilisation of Proceeds from Corporate Proposal**

The status of utilisation of proceeds derived from the above Corporate Proposal (i) on disposal of Mines Shopping Fair as at 23 May 2008 is as follows:-

| No. | Purpose                                  | Proposed Utilisation | Actual Utilisation |
|-----|--|----------------------|--------------------|
|     |  | RM'000               | RM'000             |
| 1)  | Redemption of the RCSLS Series A         | 420,000              | 420,000            |
| 2)  | Expenses related to the disposal         | 9,600                | 9,600              |
| 3)  | Working capital                          | 600                  | 600                |
| 4)  | Settlement of Interest on RCSLS Series A | 1,800                | 1,800              |
|     | Total                                    | 432,000              | 432,000            |

Notes: - The proceeds from the above Corporate Proposal (i) on disposal of Mines Shopping Fair were fully utilised.

- RCSLS Series A : 420,000 Redeemable Convertible Secured Loan Stock 2004/2011.

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The Group bank borrowings, equity and debt securities as at end of the current financial period are:

|   | Short-term<br>RM'000 | Long-term<br>RM'000 | Total<br>RM'000 |
|---|----------------------|---------------------|-----------------|
| <b>Secured</b>  |                      |                     |                 |
| Bank overdrafts   | 857                  | -                   | 857             |
| Revolving credits   | 3,600                | 5,190               | 8,790           |
| Term loan   | 250                  | 2,952               | 3,202           |
| Bonds   | -                    | 150,000             | 150,000         |
| Redeemable Secured Loan Stock<br>(‘RSLs Series B’)        | -                    | 68,822              | 68,822          |
| Bank Guaranteed Commercial Paper<br>and Medium Term Notes | -                    | 124,646             | 124,646         |
| <b>Total secured borrowings</b>                           | <b>4,707</b>         | <b>351,610</b>      | <b>356,317</b>  |
| <b>Unsecured</b>  |                      |                     |                 |
| Bank overdrafts   | 1,983                | -                   | 1,983           |
| Revolving credits   | 19,600               | 16,400              | 36,000          |
| Hire purchase & lease creditors                           | 473                  | 1,233               | 1,706           |
| <b>Total unsecured borrowings</b>                         | <b>22,056</b>        | <b>17,633</b>       | <b>39,689</b>   |
| Comprising:   |                      |                     |                 |
| Local borrowings  | 26,763               | 369,243             | 396,006         |
| Foreign borrowings  | -                    | -                   | -               |
| <b>Total borrowings</b>                                   | <b>26,763</b>        | <b>369,243</b>      | <b>396,006</b>  |

All borrowings are denominated in Ringgit Malaysia unless indicated otherwise.

**25. Off Balance Sheet Financial Instruments**

There are no financial instruments with off balance sheet risk as at the date of current financial period under review.

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**26. Material Litigation**

The material litigations are:

- (a) On 5 May 2005, Azizan Bin Ismail and Razali Bin Zaihidin (“Plaintiff”) filed a claim against Mines Engineering & Technical Services Sdn Bhd, a wholly-owned subsidiary of CHHB (“Defendant”) for alleged unfair termination of their employment. Azizan Bin Ismail and Razali Bin Zaihidin are both claiming RM342,924 and RM593,844 respectively. The matter has been fixed for continued hearing on 16 and 17 June 2008.
- (b) Bungalow land (Lot 428 Country Heights Damansara) was purchased by Loh Kum Seng and 2 others (“**the Plaintiffs**”) from Country Heights Properties Sdn Bhd (“**the 1<sup>st</sup> Defendant**”) and Mega Palm Sdn Bhd (“**the 2<sup>nd</sup> Defendant**”) (collectively referred to as “**the Defendants**”) vide a Sale and Purchase Agreement dated 15 December 2001 (“**the SPA**”). The Plaintiff was to build a bungalow on the said land. Prior to the building of the bungalow, the Plaintiff was required to obtain approval of the building plan from the relevant authorities. The Plaintiff was subsequently informed by the authorities that the issuance of the approval of the building plan required the submission of the individual title to the said land. At that time, the master titles to the land at Country Heights Damansara had yet to be subdivided and individual titles had yet to be issued by the relevant authority. Pursuant to the SPA, the Defendants' obligation was to deliver vacant possession within 24 months from date of the SPA. The Defendants delivered the same within the time stipulated. The Plaintiff filed the following claims against the following parties on 20 June 2007.
- (i) The 1<sup>st</sup> Defendant
- RM361,522.78 being late interest of 10% on the purchase price calculated from the due date of delivery of vacant possession (15 December 2003) to the date of receipt of approval to the building plan (23 June 2006) and RM6,458.00 being the refund of service charges paid by the Plaintiff to the 1st Defendant;

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**26. Material Litigation (Contd.)**

(ii) The 2<sup>nd</sup> Defendant

- RM1,189.00 being the refund of service charges paid by the Plaintiff to the 2<sup>nd</sup> Defendant.

The Defendants filed their Statement of Defence on 23 July 2007 and are currently awaiting the Plaintiff's reply to their Statement of Defence. Case management has been fixed on 28 July 2008.

(c) By a summons dated 29 August 2007, the Government of Malaysia filed a suit against CHHB for unpaid real property gains tax for the sum of RM22,617,311.49 for the years of assessment 1993, 1998 and 1999. Our Solicitors have entered appearance on 6 November 2007 and filed an application to strike out the Writ of Summons and Statement of Claim on 31 December 2007. CHHB's application to strike out the writ (enclosure 4) is fixed for hearing on 17 June 2008 pending LHDN to file their Affidavit In Reply.

(d) On 7 April 2003, Nasmaya Juara Sdn Bhd ("NJSB"), a wholly owned subsidiary of CHHB filed a claim against CH Builder Sdn Bhd (1<sup>st</sup> Defendant) and Soon Cheng Ooi (2<sup>nd</sup> Defendant) for the sum of RM1,497,314 together with interest of 8% thereon and to restrain the Defendants either directly or through their agents from disposing of materials purchased by NJSB and to compel the Defendants to deliver the materials to NJSB. The 1<sup>st</sup> Defendant was wound up on 25.11.2003 at the High Court of Penang vide Petition No. 2-28-22-2003 by NYC Engineering Sdn Bhd. In these circumstances, and upon solicitor's advice the NJSB filed proof of debt against the first Defendant.

Solicitors for the NJSB has prepared draft amendments to the writ and the amended Statement of Claim and the Senior Assistance Registrar ("SAR") has yet to fix hearing for application to amend the statement of claim.

(e) Mines Exhibition Management Sdn Bhd ("MEM"), a subsidiary of CHHB, has on 28 January 2005 commenced action against Chua Lee Seng and Cha Hoo Peng ("Defendants") for the breach of Joint Venture Agreement dated 3 September 2001 and the recovery of outstanding debt amounting to RM770,000 due to MEM. The Judge has fixed for case management on 24 February 2006. The judge was of the view that it was not appropriate to grant injunctions and directed the parties to proceed for full trial. The Court fixed 29 October 2007 for case management.

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**26. Material Litigation (Contd.)**

On the last case management date 29 October 2007, the court directed (under order from the Chief Justice of Malaysia) that the above matter be heard in the Intellectual Property Court. On 30 November 2007, the matter was fixed for Mention before the new Judge (IP Court) and the Judge thereafter fixed the matter for trial on 12<sup>th</sup>, 13<sup>th</sup>, 14<sup>th</sup> and 15<sup>th</sup> of May 2008. On 12 May 2008, the trial commenced with MEM's 1<sup>st</sup> Witness. After conclusion of the 1<sup>st</sup> Witness's testimony, the Defendants' lawyer sought an adjournment of the trial on the basis that they needed time to peruse the additional bundle of documents filed by the MEM's Solicitors on 9<sup>th</sup> May 2008. The judge allowed the adjournment and has fixed the matter for continued trial on 23, 24 and 25 June 2008.

- (f) On 11 November 2005, Country Heights Holdings Berhad ("CHHB") filed a claim against Rating Agency Malaysia Berhad ("RAM") in the High Court of Kuala Lumpur for amongst others, negligent, untrue and defamatory reports in its rating reviews in respect of the Redeemable Bonds issued by CHHB. RAM applied to strike out CHHB action in the High Court and on 16 January 2007, the Senior Assistant allowed RAM's application to strike out CHHB statement of claim. On the 14 November 2007, the Judge dismissed CHHB's appeal with costs. Notice of Appeal to the Court of Appeal was filed on 11 December 2007. The Record of Appeal was filed on 7 April 2008. The Court of Appeal has yet to fix hearing date for the appeal.

**27. Dividend Payable**

No interim dividend has been declared for the current financial period under review (31 March 2007: Nil).

**28. Profit Per Share**

**(a) Basic**

Basic profit per share is calculated by dividing profit for the period attributable to equity holders to the parent of RM16.9 million (31 March 2007: loss of RM2.4 million) over the number of 275,707,403 (31 March 2007: 275,707,403) ordinary shares issue during the current financial period under review.

**(b) Diluted**

Not applicable.



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**29. Authorisation for Issue**

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 30 May 2008.

By Order of the Board

**Mark Victor Rozario**

Group Managing Director